

FINA **IN** **1974**



TWENTY-FIRST ANNUAL REPORT OF PETROFINA CANADA LTD.



PEOPLE ARE THE ANIMATORS OF INDUSTRY: AND FINA IS PEOPLE.

People on this page:

Patrick Williams	chemist
Joan Koken	nurse
Robert St-Amant	assistant shift foreman
Reggie Bernard	safety assistant
Claudette Mather	secretary
Nick Gribovsky	senior design draftsman
Anny Ahmaranian	telephone operator
Alex Ascot	manager, petrochemicals
Rose Marie Bertrand	secretary
Gordon Craig	vice-president and comptroller
Gilles Pierre	manager, data processing
Jacques Boisselle	area retail merchandiser
René Bonhomme	heating oil distributor, Joseph Elie Ltée
Normand Leboeuf	tank wagon salesman
André Brunet	adjuster — T.B.A. division
Ernie Spurgeon	geologist
Dorothy Hill	secretary
Loralee Nichols	computer console operator
Joe Schleck	office building operator
Ed Pullman	oil sands supervisor
George Girolami	draftsman
John Mannix	landman

Cover photos:

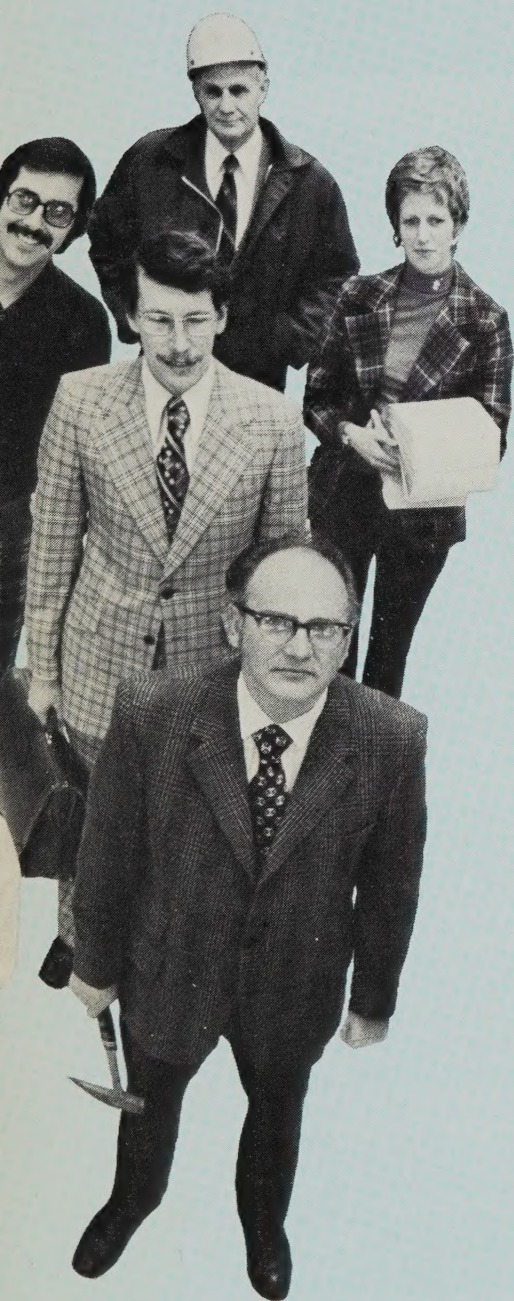
Louise Scrimgeour,
senior accounting clerk
Marcel Emond, assistant
process superintendent

Back cover:

Janet Fitzsimmons,
receptionist



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Secrétaire, Petrofina Canada Ltée,
1 Place Ville Marie, Montréal, H3B 4A9,
Québec, Canada.



HIGHLIGHTS OF THE YEAR

FINANCIAL

	1974	1973
Revenues	\$360,578,000	\$338,531,000
Cash generation from operations	65,771,000	43,691,000
— per common share	6.59	4.38
Net earnings	31,047,000	25,566,000
— per common share	3.11	2.56
Dividends paid on common shares	8,978,000	8,478,000
— per common share90	.85
Capital expenditures	34,443,000	33,970,000
Long-term debt at end of year	108,261,000	106,172,000
Shareholders' equity at end of year	211,464,000	189,394,000

OPERATING

Production of crude oil and natural gas liquids — gross (barrels)	9,455,000	10,916,000
Natural gas produced and sold — gross (thousands of cubic feet)	30,935,000	34,004,000
Sales of sulphur (long tons)	173,000	221,000
Crude oil runs to refinery (barrels)	22,639,000	22,472,000



In a boardroom meeting, from left to right: Alex W. McLeod, Vice-President, General Counsel and Secretary; Jacques Cartier, Senior Vice-President, Marketing; Ken Mulhall, Senior Vice-President and Treasurer; Pierre Nadeau, President and Chief Executive Officer; Nick Van Son, Vice-President, Supply & Refinery Sales; Priscille Dubé, Secretary to the President.

TO THE SHAREHOLDERS

The year 1974 was rather chaotic from the world economic standpoint as a result of crop failures, high commodity prices, political unrest, monetary instability and rising energy costs. Canada was not entirely immune to the world situation, consequently we experienced escalating wage demands, increasing unemployment, lower productivity and double digit inflation.

In spite of these factors the Canadian economy outperformed most other industrial nations. Gross national product reached \$138 billion, an increase of 16% over the previous year, but as prices rose by 12%, the real growth rate was only 4%.

Production of crude oil and natural gas liquids in Canada averaged 2,045,000 barrels per day, a decrease of 3% over the previous year. Exports to the United States were cut to 886,000 barrels per day, a decrease of 22%, from 1973. A further curtailment of these exports to 650,000 barrels per day is expected by mid-1975.

Production of natural gas showed only a modest growth to 6.6 billion cubic feet per day, an increase of 3% over the previous year.

Despite the unsatisfactory international and national conditions, Canadian demand for refined petroleum products in 1974 increased about 3% to nearly 1,700,000 barrels per day.

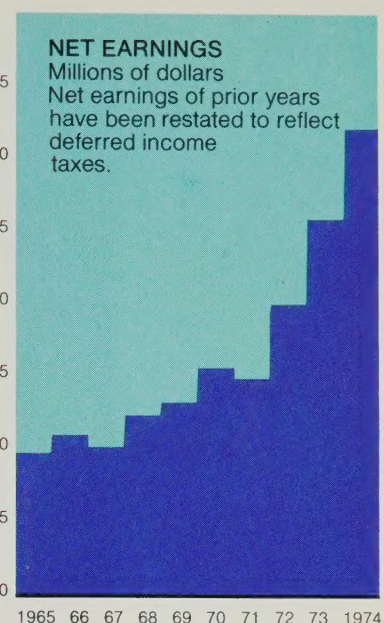
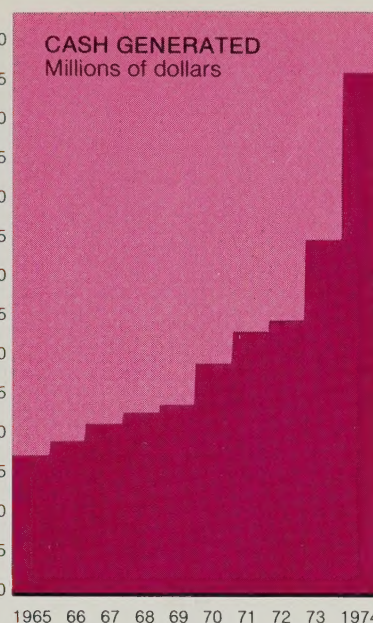
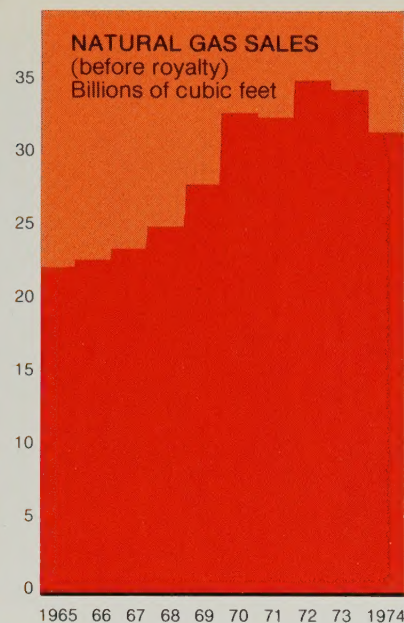
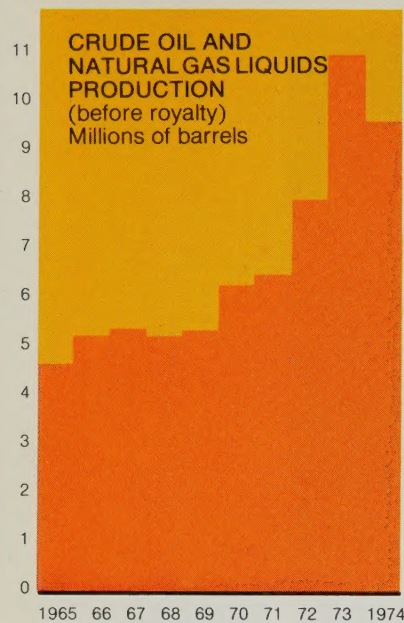
The oil and gas industry in Canada became the target of political action at both the Federal and Provincial levels, creating uncertainties which may have serious long-range effects on the development of the country's hydrocarbon and mineral resources in future years.

In last year's report reference was made to the actions of the Provincial and Federal governments relating to the oil and gas industry. In 1974 an even more severe penalty was imposed when royalties paid to the Provincial governments after May 1974 were deemed by the Federal government to be part of an oil company's taxable income, notwithstanding the fact that most royalties are, by law, payable to the Provincial governments out of gross income from production. The Provinces of Alberta and Saskatchewan have since altered their royalty structure, but British Columbia has made no change. Further taxation concessions are required if a vigorous drilling programme is to be reinstated in these provinces and confidence restored. Our company feels that, at the present time, exploration in Saskatchewan and British Columbia is financially unattractive.

It seems incredible that at a time when Canada needs to exert every effort to improve its crude oil position, such severe penalties should be exacted. Exploration activity diminished because of government actions and the further development of the Athabasca Oil Sands is uncertain because of escalation in costs, controlled crude prices, royalty demands and the uncertainty regarding related Federal taxes.

The problem is basically a jurisdictional dispute between Federal and Provincial governments, but the oil and gas industry has been caught between these two opposing forces to the detriment of the country as a whole.

It must be assumed that the governments in question are monitoring the situation. Since time is of the essence, it is hoped they will realize soon the potentially disastrous consequences of their present rigid position and will alter existing legislation accordingly.



At the end of 1974 the Company had 2,203 employees. These men and women, living and working in western and eastern Canada, are the mainstay of the Company and this report is therefore dedicated to them. The photographs which appear herein depict only a few of those who performed their duties well under difficult circumstances during the year. To all of the employees, the directors express their sincere appreciation.

Exploration and Production

The Company's 1974 drilling programme involved participation in the drilling of 51 wells compared with 75 in 1973. This activity resulted in 6 oil wells, 16 gas wells, 1 gas injection well, 22 abandonments and 6 wells which were drilling or waiting on completion or abandonment at year-end. In the Peace River area of Alberta, Fina Dome Royce No. 6-35 was drilled and completed as a potential gas well. The Company holds a 50% interest in this well and the 12,000 acre gas licence on which it was drilled. A second well commenced drilling early in 1975 to evaluate this prospect.

In the Hudson Bay area two new offshore wells were drilled in the 1974 summer season, but failed to discover oil or gas and both wells were abandoned. At Coal-spur, in central Alberta, the Company and its partners are currently drilling at a step-out location to determine the extent of the gas reservoir discovered by our group in 1973. In the Arctic Islands, where the Company holds a 2% net carried interest in 78 million acres, Panarctic conducted a continuous drilling programme, but did not discover any new major accumulation of oil or gas. In the Maritimes, the East Point offshore well which was drilled and suspended in 1970 was re-entered and, though the testing pro-

gramme carried out indicated the presence of natural gas, the show was considered uneconomic and that well was subsequently abandoned.

At December 31, 1974 the Company held varying interests in 28 million gross acres of permit type petroleum rights and 2.6 million gross acres of leases. This excludes the 2% net carried interest in the holdings of Panarctic Oils Ltd. and the various mineral title and royalty interests held in the Prairie provinces. The net acreage position at year-end amounted to 3.8 million acres of permits and 1.2 million acres of leases for a total of 5 million acres. The reduction of 1.3 million acres during the year was mainly the result of selective surrenders in the Maritime project on the East coast and in the Hudson Bay project. The most significant farmout involved the Maritime project on the East coast where an arrangement was concluded which requires SOQUIP to spend \$3 million in seismic and drilling to earn 25% of the group's interest, which will result in the Company's residual interest reducing from 16⅔% to 12½% when the farmee has fulfilled its obligations. At Carnwath, in the Northwest Territories, the Company obtained a seismic option on a large block of permit lands which entitles the Company to earn up to 66% interest if the programme is carried out through the drilling stage. Initial seismic work is in progress.

Sales of crude oil and natural gas liquids produced from Company properties totalled 9.5 million barrels, before royalty, compared with 10.9 million barrels in 1973. The daily average was approximately 26,000 barrels compared to 30,000 the previous year. Natural gas sales totalled 31 billion cubic feet, a decrease of some 3 billion from 1973 due to a fire at the Windfall gas plant. Sulphur sales



Field foreman Walter Baier and field repairman Gordon Davies inspect a wellhead valve in the Wildcat Hills gas field west of Calgary.



Gordon Heine, geophysicist and Cam Lee, geologist examine a drill core section.

were 173 thousand long tons compared to 221 thousand in 1973. The average gross price received by the Company for crude oil at the wellhead in 1974 was \$5.72 per barrel, an increase of \$2.25 over 1973. Natural gas prices averaged 30¢ per MCF at the field gate, a 9¢ improvement over last year. The apparent benefits of increased prices were offset to a significant degree by increases in royalties, supplemental royalties, surcharges, mineral taxes and like payments made by the Company with respect to both Crown and freehold producing properties.

Proven reserves of crude oil and natural gas liquids attributable to the Company's net interests, before royalty, were estimated internally at 87.5 million barrels as of December 31, 1974. These reserves decreased 15% over the past year due to the net difference between production and new discoveries and to a downward revision of the reserves estimated for the Redwater field based on the recent performance of our properties. Natural gas reserves increased 4% to 778 billion cubic feet and sulphur reserves declined 5% to 2.7 million long tons.

The Alberta Energy Resources Conservation Board held public hearings in May 1974 with respect to the application made by the Company on behalf of the Athabasca Oil Sands Project for approval of a development plan to produce 122,500 barrels of synthetic crude daily. Our Company has a 35% working interest in this project. On January 30, 1975, the Board's decision was received indicating that the Board is prepared to grant the application subject to the authorization of the Lieutenant-Governor in Council. However, in order for this large, long-term project to proceed and make a contribution to Canada's goal of continued energy self-sufficiency, a stable climate in tax and regu-

latory matters will be required in conjunction with an attractive economic outlook.

Supply & Refinery Sales

Obtaining adequate crude oil supplies for the Company's refinery presented complex problems, particularly during the first quarter of 1974. To replace a portion of the Middle East crude which was temporarily unavailable, it was necessary for the Company to purchase crude oil from western Canada and to transport it from Vancouver through the Panama Canal to the pipeline terminal in Portland, Maine. This costly procedure was eliminated in the second quarter as adequate supplies of Middle East crude oil again became available.

The average cost of Middle East crude oil increased by \$6.90 per barrel from December 1973 to December 1974. However, as a result of the subsidy programme instituted by the Federal government, the full impact of this increase on the public was minimized.

Freight costs for the transportation of crude oil underwent a dramatic change during the year, as did the cost of bunker fuel. However, in spite of the complexities in obtaining crude oil and the gyrations in freight costs, the Company's operations were not unduly affected and a more stable period is anticipated in 1975.

The Company produced and sold 754,000 barrels of petrochemicals during 1974, but this volume was below capacity as a result of limitations on raw materials and a construction strike. The manufacture of these petrochemicals has become profitable and of increasing importance. Modifications to the Company's facilities will increase aromatics production capacity by 50% during the second half of 1975. The Company manufactures benzene, ortho-xylene, nonenes, polybutenes, depleted xylenes, toluene and solvents.

Bernard Coutu signals he's ready to pull out.



A steady stream of train trucks fill up at Pointe-aux-Trembles refinery loading rack for deliveries to service stations.

Manufacturing

Crude oil charged to the refinery in 1974 totalled 22,639,000 barrels (62,000 barrels per calendar day). This figure is virtually unchanged from the previous year.

The capacity of the refinery was expanded from 75,000 barrels per day to 95,000 barrels per day, but the delays occasioned by a province-wide construction strike reduced scheduled throughput by three million barrels.

While the total throughput of crude remained almost unchanged from the previous year, there was a substantial variation in the sources of crude. Middle East supplies were down 11% from the previous year, while western Canadian crude accounted for nearly 14% of our 1974 crude oil purchases. A modest reduction also occurred in South American crude oils. Notwithstanding the constant throughput compared with the previous year, the mix of products manufactured changed materially. Motor gasolines and heavy fuel oils increased, while there were substantial reductions in the manufacture and shipment of aviation gasoline and asphalt. In the petrochemical field there was a major increase in the amount of benzene manufactured.

During 1974 several significant expansion goals were attained. The hydrodealkylation unit was reassigned to the production of benzene; one of the crude processing units increased from 40,000 to 60,000 barrels per day; and the second reformer cell of the hydrogen unit was completed.

The pollution abatement programme, in operation for a number of years, was continued with work being carried out on the

problem of emissions from the fluid coker. Construction on the waste water treatment plant was commenced and completion is expected by mid-year.

Marketing

The marketing of petroleum products in 1974 presented a number of new challenges. These included the introduction of lead-free gasoline and our entry into the self-serve field.

In accordance with the Company's long range plans, the programme of consolidating our service station network was continued and a number of unprofitable units were eliminated. New service stations built in urban centres were equipped with automatic car wash units and those on highways included restaurant facilities. A large number of independent dealers were established under the FINA name, giving us improved representation in outlying areas. Also, during 1974 considerable emphasis was placed on the Company's "Standards of Excellence Programme" involving the development of higher standards of operation, customer service, general housekeeping and the maintenance of facilities.

The manufacture and delivery of jet fuel to major airlines continues to be an important part of the Company's operation. A number of airlines are now being supplied by the Company at Montreal International Airport.

The Company's sales agency programme in outlying areas continues to expand, resulting in a larger quantity of products being distributed. Sales of fuel oil for home heating continue to increase satisfactorily.



Fina Centre service manager Robert Tisson reviews his service check list with a customer.



T.B.A. and sales promotion co-ordinator Claude Delorme reviews a products shelf display with dealer Pierre Laplante (l.).

Financial

The Company's net earnings for the year ended December 31, 1974 were \$31,047,000 (\$3.11 per share) compared with \$25,566,000 (\$2.56 per share) in the previous year.

Cash generated from operations amounted to \$65,771,000 (\$6.59 per share) compared with \$43,691,000 (\$4.38 per share) in 1973.

In 1974, our Company adopted the full tax allocation accounting method reflecting the impact of deferred income taxes, calculated in conformity with guidelines laid down by the Canadian Institute of Chartered Accountants. This represents a major change in our accounting procedures and, therefore, the comparative earnings figures for 1973 have been restated to give effect to this change.

During 1974 the following capital amounts were invested in properties, plant and equipment:-

	1974	1973
Exploration and production	\$ 9,224,000	\$10,049,000
Manufacturing	18,795,000	15,587,000
Marketing	6,424,000	8,087,000
Other	—	247,000
	<u>\$34,443,000</u>	<u>\$33,970,000</u>

At year-end the Company's working capital was \$50,683,000 compared with \$23,975,000 at the end of the previous year. Dividend payments to our shareholders amounted to \$8,978,000 (\$0.90 per share) compared with \$8,478,000 (\$0.85 per share) in the previous year.

SUBMITTED ON BEHALF
OF THE BOARD

President and Chief Executive Officer

March 12, 1975

AUDITORS' REPORT

To the Shareholders of
Petrofina Canada Ltd.:

We have examined the consolidated balance sheet of Petrofina Canada Ltd. and its subsidiaries as at December 31, 1974 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In our opinion these consolidated financial statements present fairly the financial position of the companies as at Decem-

ber 31, 1974 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the adoption of tax allocation accounting explained in note 1 to the consolidated financial statements.

Clarkson, Gordon & Co.
Chartered Accountants

Montreal, Canada, February 13, 1975.

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS year ended December 31, 1974

(with comparative figures for the year 1973 - note 1)

	1974	1973
Revenues:		
Operating revenue	\$356,745,742	\$335,691,725
Interest and other	3,832,064	2,839,181
	<u>360,577,806</u>	<u>338,530,906</u>
Expenses:		
Product costs, operating, exploration and administrative expenses	275,506,327	279,928,580
Depreciation (note 1)	14,098,511	11,557,326
Depletion (note 1)	7,262,047	7,729,125
Taxes other than income taxes	7,591,959	6,172,753
Deferred income taxes (note 1)	13,073,000	(1,400,000)
Interest on long-term debt	11,998,674	8,977,131
	<u>329,530,518</u>	<u>312,964,915</u>
Net earnings	<u>\$ 31,047,288</u>	<u>\$ 25,565,991</u>
Retained earnings, beginning of year		
As previously reported	\$ 82,992,490	\$ 67,304,887
Cumulative deferred income taxes of prior years (note 1)	8,900,000	10,300,000
As restated	<u>74,092,490</u>	<u>57,004,887</u>
Add net earnings	<u>31,047,288</u>	<u>25,565,991</u>
	<u>105,139,778</u>	<u>82,570,878</u>
Deduct dividends	8,977,658	8,478,388
Retained earnings, end of year	<u>\$ 96,162,120</u>	<u>\$ 74,092,490</u>
Earnings per share	<u>\$3.11</u>	<u>\$2.56</u>

See accompanying notes

**PETROFINA CANADA LTD.
AND SUBSIDIARIES**
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

December 31, 1974

(with comparative figures as at December 31, 1973 — note 1)

Assets

CURRENT:

	1974	1973
Cash and short term deposits	\$ 18,874,144	\$ 8,222,518
Accounts receivable, less allowance for doubtful accounts	58,955,145	53,376,360
Oil import compensation receivable or accrued (note 1)	27,193,759	—
Due from affiliated companies	2,969,367	14,661,737
Inventories (note 1)		
Oil products and other merchandise	41,809,453	35,934,569
Materials and supplies	6,225,276	4,609,572
Prepaid expenses	2,651,448	3,280,368
Total current assets	<u>158,678,592</u>	<u>120,085,124</u>

INVESTMENTS AND ADVANCES — at cost:

Investments in other companies	2,537,078	2,462,605
Exploration, development and production deposits	176,158	260,854
Other (note 2)	13,185,046	13,846,974
	<u>15,898,282</u>	<u>16,570,433</u>

PROPERTIES, PLANT AND EQUIPMENT (note 3)	269,273,948	258,166,768
DEFERRED CHARGES	1,521,035	1,489,120
PREMIUMS PAID ON ACQUISITIONS — at cost	9,301,267	9,245,186
	<u>\$454,673,124</u>	<u>\$405,556,631</u>

On behalf of the Board:

A.F. CAMPO, Director
P.A. NADEAU, Director

See accompanying notes

Liabilities and Shareholders' Equity

CURRENT:

	1974	1973
Accounts payable and accrued charges	\$ 33,063,542	\$ 44,609,977
Dividends payable	583,359	600,755
Due to parent company	12,215,415	10,327,261
Due to affiliated companies	2,481,074	1,413,127
Notes and bills payable	48,541,260	26,812,513
Current maturities of long-term debt	11,111,043	12,346,583
Total current liabilities	107,995,693	96,110,216
ADVANCES BY PARENT COMPANY (U.S. \$5,000,000) not due within one year	4,980,000	4,980,000
LONG-TERM DEBT (note 4)	108,260,628	106,172,242
Total liabilities	221,236,321	207,262,458
DEFERRED INCOME TAXES (note 1)	21,973,000	8,900,000

SHAREHOLDERS' EQUITY:

Capital

Common shares of \$10 par value:

Authorized — 12,000,000 shares

Issued — 9,975,174 shares

	99,751,740	99,751,740
Contributed surplus	15,549,943	15,549,943
Retained earnings (note 4)	96,162,120	74,092,490
	211,463,803	189,394,173
	<u>\$454,673,124</u>	<u>\$405,556,631</u>

PETROFINA CANADA LTD.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
year ended December 31, 1974

(with comparative figures for the year 1973 — note 1)

	1974	1973
SOURCE OF WORKING CAPITAL:		
Operations —		
Net earnings	\$31,047,288	\$25,565,991
Depreciation, depletion and amortization	21,650,530	19,525,301
Deferred income taxes (note 1).	13,073,000	(1,400,000)
Total funds from operations	65,770,818	43,691,292
Long-term borrowings	15,908,902	16,609,497
Sale of properties, plant and equipment	1,975,163	2,996,152
Net decrease in other investments and advances	672,151	514,727
Net decrease in other items.	—	72,515
	<u>84,327,034</u>	<u>63,884,183</u>
APPLICATION OF WORKING CAPITAL:		
Additions to properties, plant and equipment	34,442,901	33,970,322
Repayments of long-term debt	13,820,516	13,986,944
Dividends paid	8,977,658	8,478,388
Premiums paid on acquisitions.	56,081	192,239
Net increase in deferred charges	321,887	501,534
	<u>57,619,043</u>	<u>57,129,427</u>
Net increase in working capital	26,707,991	6,754,756
Working capital, beginning of year	23,974,908	17,220,152
Working capital, end of year	<u>\$50,682,899</u>	<u>\$23,974,908</u>

See accompanying notes

PETROFINA CANADA LTD.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1974

1. SUMMARY OF ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of Petrofina Canada Ltd. and all subsidiaries.

b) Inventories

Oil products and other merchandise are shown at the lower of cost and net realizable value. Cost of oil products has been determined on the basis of the last-in, first-out method except for crude oil in transit, which is carried at actual cost. Inventories of materials and supplies are shown at the lower of average cost and replacement value.

c) Producing properties

The full-cost method of accounting is followed wherein all costs related to the exploration for and the development of oil and gas reserves are capitalized. The total costs thus capitalized are depleted on the composite unit of production method based on the estimated reserves of oil, gas and other saleable products. Depreciation on production equipment, gas plants and related facilities is provided on the same basis.

d) Refining, marketing and other properties and equipment

Depreciation is based on the estimated service lives of the assets, calculated on the straight-line method, except for motor vehicles where the diminishing balance method is used, at the following rates: *Buildings* 2½%; *Equipment* 4 to 15%; *Motor vehicles* 30%.

e) Foreign currencies

Amounts in currencies other than Canadian dollars have been translated as follows: current assets and current liabilities and advances by the parent company — at the rates of exchange prevailing at year-end; long-term debt — at the rate of exchange prevailing at the date the debt was incurred; revenues and expenses — at average rates of exchange prevailing through the year.

f) Income taxes

In 1974 the Company adopted on a retroactive basis, full tax allocation accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as the result of claiming for income tax purposes certain costs in excess of the amounts expensed in the accounts. The effect of this change in accounting policy was to decrease 1974 net earnings by \$13,073,000 (\$1.31 per share), to increase 1973 net earnings by \$1,400,000 (\$0.14 per share) and to reduce retained earnings at January 1, 1973 by \$10,300,000.

The 1974 income tax provision has been computed on the basis of the November 18, 1974 federal budget which included a number of proposals (several having retroactive effect to the date of an earlier budget on May 6, 1974) which will substantially increase the income taxes of the resource industries. Certain provincial governments have proposed measures of relief through rebates or grants and these have also been taken into account, although the legislative amendments have not yet been enacted or in some cases have not been made public in definitive form.

g) Oil import compensation

During the year the Company has made provision for compensation under the Federal Government's Oil Import Compensation Program for increased costs of imported crude oil including participation paid to oil exporting countries. All amounts claimed or accrued have been applied to reduce product costs or inventories as applicable.

2. INVESTMENTS AND ADVANCES — OTHER

Other investments consist of a 2% carried interest in the net production income of Panarctic Oils Ltd., mortgages and other receivables.

3. PROPERTIES, PLANT AND EQUIPMENT

		1974		1973
	Cost	Accumulated depreciation and depletion	Net book value	Net book value
Producing properties	\$203,371,381	\$ 91,665,530*	\$111,705,851	\$112,450,070
Refining	159,902,876	58,117,423	101,785,453	89,461,541
Marketing	88,917,549	33,134,905	55,782,644	56,255,157
	<u>\$452,191,806</u>	<u>\$182,917,858</u>	<u>\$269,273,948</u>	<u>\$258,166,768</u>

*includes depletion of \$72,848,469

4. LONG-TERM DEBT

Petrofina Canada Ltd. —

Secured:

Production loans secured by certain oil and gas properties, payable in various amounts through 1982 with interest rates varying between prime rate and 1% above prime rate

\$ 10,363,581

Other loans (mainly mortgages on real estate)

826,818

\$ 11,190,399

Unsecured:		
Loans with interest between ½% and 1¼% above the prime rate, due in varying annual instalments through 1983	93,864,847	
6½% promissory notes totalling U.S. \$6,050,000 payable U.S. \$850,000 annually to 1980 and the balance in 1981	6,531,145	
6% loans due in varying semi-annual instalments from 1975 to 1981 (U.S. \$3,728,596)	3,700,588	
Non-interest-bearing advances made to finance the development of certain gas reserves, repayable out of production	2,157,072	
Other loans	127,620	106,381,272
		<u>117,571,671</u>
Subsidiaries —		
Unsecured:		
Loan with interest at ¾% above the prime rate, due \$200,000 annually to 1978 and the balance in 1979		1,800,000
		<u>119,371,671</u>
Less instalments included in current liabilities		11,111,043
		<u>\$108,260,628</u>

Annual payments required to retire long-term debt amount to approximately \$16,050,000 in 1976, \$16,123,000 in 1977, \$11,633,000 in 1978 and \$25,717,000 in 1979.

Included in the covenants contained in agreements relating to certain of the long-term debts are restrictions limiting the amount of consolidated long-term debt and the payment of dividends by the Company. Dividends cannot be declared or paid if, as a result, the consolidated retained earnings are reduced below \$13,539,000. Consolidated retained earnings as at December 31, 1974 were \$96,162,120.

5. COMMITMENTS AND CONTINGENCIES

Annual rentals payable on long-term leases (three years and over) for real property amount to approximately \$3,832,000 (1973 — \$3,518,000).

At December 31, 1974 the companies had guaranteed loans amounting to approximately \$1,258,000 and were contingently liable for notes discounted in the amount of \$1,282,000.

6. REMUNERATION OF DIRECTORS AND OFFICERS

During the year, the sixteen directors and one former director of the Company received \$33,800 as directors and the eleven officers of the Company (three of whom were directors) received \$683,000 as officers.

PETROFINA CANADA LTD.
AND SUBSIDIARIES

TEN YEAR REVIEW OF OPERATIONS

	1974	1973
Statistical		
Crude oil and natural gas liquids production, before royalty (thousands of barrels)	9,455	10,916
Natural gas sales, before royalty (millions of cubic feet)	30,935	34,004
Number of wells drilled in which Company had participation	51	75
Number of wells completed in which Company had participation	23	28
Sulphur sales (long tons)	173,000	221,000
Gross acreage (thousands of acres)	30,600	32,400
Net acreage (thousands of acres)	5,000	6,300
Crude oil runs to refinery stills (thousands of barrels)	22,639	22,472
Total outlets used in distribution of refined products	1,552	1,593
Number of employees	2,203	2,191
 Financial (in thousands of dollars)		
Revenue	360,578	338,531
** Net earnings	31,047	25,566
Depreciation, depletion and amortization (including amortization of excess cost)	21,651	19,525
Total cash generated	65,771	43,691
Working capital	50,683	23,975
Total assets	454,673	405,557
Long-term debt	108,261	106,172
** Book value of shareholders' equity	211,464	189,394

*Includes special non-recurring write-off of \$3,446,000

**Net earnings and book value of shareholders' equity of prior years have been restated to reflect deferred income taxes

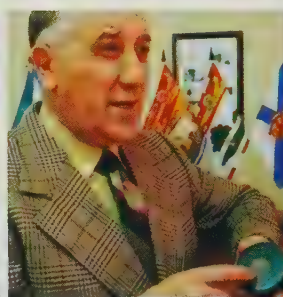
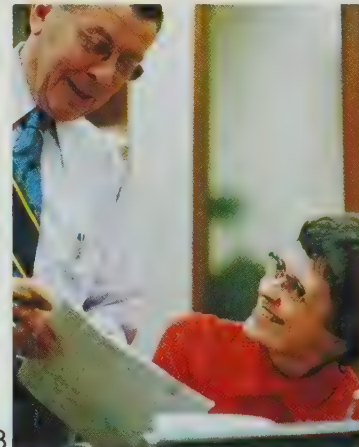
1972	1971	1970	1969	1968	1967	1966	1965
7,972	6,413	6,217	5,324	5,151	5,305	5,104	4,614
34,585	32,202	32,306	27,945	24,969	23,494	22,057	21,631
61	44	54	85	89	76	119	84
28	9	15	44	42	41	74	43
06,000	106,000	124,400	105,700	52,400	81,100	74,900	71,500
34,500	35,700	76,300	76,700	88,000	15,700	6,200	5,800
6,400	6,700	8,900	10,400	11,300	5,500	2,900	—
21,266	21,354	20,671	19,125	17,666	15,852	13,290	12,168
1,561	1,567	1,609	1,625	1,739	1,731	1,755	1,783
2,046	2,032	2,057	1,616	1,607	1,491	1,388	1,352
35,961	191,346	182,621	179,079	162,712	155,709	143,828	143,345
9,706	14,304	15,055	12,702	11,614	9,706	10,492	9,349
4,561	15,735*	11,190	9,842	9,760	10,376	9,442	8,870
33,566	32,339	27,745	23,243	22,774	21,082	18,920	17,550
7,220	16,852	16,598	15,513	15,586	15,052	15,721	12,396
35,357	318,292	301,831	272,479	246,864	243,798	229,231	220,349
03,550	88,785	65,384	55,772	46,739	49,500	39,838	34,378
72,255	160,241	152,836	144,715	140,250	134,357	130,252	125,699

A PANORAMA OF PEOPLE

Without people, Fina would merely be a corporate name. We are fortunate to number among our family of employees, many interesting people — both in the nature of the work they perform and in their personal pursuits. Space limitations permit only a sampling of the many hundreds of employees whose energies make Fina come alive.

1. Dick Hogg, maintenance repairman helps keep compressors running smoothly at the Wildcat Hills gas processing plant in Alberta.
2. Carol Fraser, secretary, enjoys nothing better than to saddle her own horse and ride the wide open spaces on a ranch at the outskirts of Calgary.
3. Bob Pot, Evaluation and Unitization manager, discusses details of a project with his secretary, Ruth Sloan.
4. Michel Fontaine, chemist, performs a specific gravity test on gasoline in the quality control laboratory of our Pointe-aux-Trembles refinery.
5. Gaston Desautels, manager of purchasing, proudly displays the fine maple syrup he produces each spring on his farm.
6. Draftsmen Hank Wiersma and Vincent Agostino (r.) carefully check out the dimensions of a service station scale model.
7. René L'Heureux devotes most of his spare time to coaching aspiring young hockey stars in the Pee Wee League.
8. Refinery nurse Joan Koken can look any man

- in the eye — as she does with Gerry Blanchard, refinery personnel supervisor.
9. A hallway in Fina's Place Ville Marie office is an ideal spot to pause for a pleasant moment — ask Gary Robinson and Darlene Tierney.
10. A relaxed marketing group meeting brings smiles all 'round; from l. to r.: Les Stewart, John Barr, Ross Reade, Yves Castonguay and Ron McNaught.
11. Plant repairman Ernst Hollenreid's world is golden yellow as liquid sulphur (pouring out in the background) builds up the Wildcat Hills stockpile.
12. George Kelly is our genial company pilot. He can show you a bird's eye perspective of our western Canada operations.
13. Dave "Sweeney" Schriener proudly holds his "200th. goal" puck earned as an NHL player from 1942 to 1945. Our Calgary office building manager is a member of the Hockey Hall of Fame.
14. In his shiny asbestos suit, safety assistant Reggie Bertrand discusses the check-over of our refinery fire truck and equipment with safety supervisor Ernie Beauregard.



DIRECTORS AND OFFICERS

Principal officers

A.F. Campo, Chairman of the Board

P.A. Nadeau, President and Chief Executive Officer

SENIOR VICE-PRESIDENTS

J. Cartier, Marketing

Donald Harvie, Exploration & Production

K.S.C. Mulhall, Treasurer

VICE-PRESIDENTS

J.E. Baugh, Exploration & Production

G.A. Craig, Comptroller

A.W. McLeod, General Counsel and Secretary

N.S. Mahlab, Administration

J.F. Mills, Manufacturing

N.H. Van Son, Supply & Refinery Sales

Directors

W.A. Arbuckle, Chairman of the Canadian Board of the Standard Life Assurance Company

A.F. Campo, Chairman of the Board, Petrofina Canada Ltd.

F.M. Covert, O.B.E., D.F.C., Q.C., Senior Partner, Stewart, MacKeen & Covert

A. Demeure de Lespaul, Vice-Chairman of the Board and Managing Director, Petrofina S.A.

W.L. Forster, C.B.E., Consultant

The Hon. J.J. Greene, P.C., D.F.C., Q.C., Member, Soloway, Wright, Houston & Greenberg

Donald Harvie, Senior Vice-President, Petrofina Canada Ltd.

Emmanuel Lamy, Honorary Chairman, Crédit du Nord et Union Parisienne

Roger Létourneau, Q.C., Senior Partner, Létourneau, Stein, Marseille, Delisle & LaRue

J. Meeus, Chairman of the Board and Chief Executive Officer, Petrofina S.A.

P.A. Nadeau, President and Chief Executive Officer, Petrofina Canada Ltd.

Trajan Nitescu, Petroleum Consultant

Blancke Noyes, Senior Vice-President, Hornblower & Weeks-Hemphill, Noyes Inc.

Sam Steinberg, Chairman of the Board and Chief Executive Officer, Steinberg's Limited

Peter N. Thomson, Deputy Chairman, Power Corporation of Canada, Limited

Executive Offices

The Royal Bank of Canada Building,
1 Place Ville Marie, Montreal, Quebec.
H3B 4A9

Auditors

Clarkson, Gordon & Co.

Transfer Agent

Montreal Trust Company

Registrar

The Royal Trust Company





SEMI-ANNUAL REPORT TO THE SHAREHOLDERS

The Company's net earnings for the six months ended June 30, 1974, were \$12,385,000 (\$1.24 per share) compared with \$10,886,000 (\$1.09 per share) in the corresponding period last year.

Cash generated from operations was \$22,584,000 (\$2.26 per share) compared with \$19,729,000 (\$1.97 per share) in 1973.

The earnings figures reflect the adoption of deferred tax accounting in 1974 and the previous year's figures have been restated to give effect to this procedure.

The Company's financial operations have been adversely affected during the first six months of this year as a result of the following circumstances:—

The major portion of the Company's crude oil supplies originates in the Middle East and the price paid per barrel is approximately triple the amount paid in the corresponding period in 1973. A portion of this increase has been subsidized by the Federal government under the Compensation Program, but the portion classified as "participation costs" levied by the Host Governments, which is also part of that program, has not been reimbursed to the Company. The figure is very substantial. A claim has been filed, but to date none of this amount has been paid. The books of the Company will only reflect the effect of this claim when confirmation of the amount to be paid is received.

Due to labour problems in the construction industry as a whole, including slowdowns and unauthorized absence from the job site, the construction work at the Pointe-aux-Trembles refinery is behind schedule and crude throughput has been severely curtailed. Maximum capacity operations will probably not be achieved until late this year.

Production of crude oil and natural gas liquids, as well as natural gas, during the first six months was as follows—

	<u>1974</u>	<u>1973</u>
Crude Oil and Natural Gas Liquids	5,157,000	5,315,000
	bbls.	bbls.
Natural Gas	16,285,000	17,639,000
	MCF	MCF

During the latter part of May the Company's application to develop the Athabasca Oil Sands was heard by the Energy Resources Conservation Board of Alberta. A decision is expected later this year. The Company's interest in the project is 35.337% and the operator is Petrofina Canada.

The design capacity of the plant will be approximately 122,500 barrels per day. Completion of the venture will depend to a large extent on satisfactory resolution of participation, tax and royalty matters with the governments.

On August 7, 1974, a semi-annual dividend of \$0.45 per share was declared by the Directors, payable on September 30, 1974, to shareholders of record August 30, 1974.

P. A. Nadeau,
President

August 7, 1974

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

For the Half Year ended June 30, 1974
(With comparative figures
for the Half Year ended June 30, 1973)
(Unaudited)

	<u>1974</u>	<u>1973</u>
Gross Income:		
Operating Income	\$177,569,999	\$146,802,323
Interest and other Income	1,868,463	1,820,422
	<u>\$179,438,462</u>	<u>\$148,622,745</u>
Operating charges		
Costs, operating, selling and general (Note 2)	\$148,516,884	\$122,524,957
Taxes other than income taxes	2,735,546	2,728,874
Depreciation	6,171,637	5,551,254
Depletion	3,885,938	3,882,914
Interest and discount on long-term debt	5,743,939	3,748,791
	<u>\$167,053,944</u>	<u>\$138,436,790</u>
Net Income before income taxes	\$ 12,384,518	\$ 10,185,955
Income Taxes—Deferred (Note 1)	—	(700,000)
Net Income	<u>\$ 12,384,518</u>	<u>\$ 10,885,955</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Half Year ended June 30, 1974
(With comparative figures
for the Half Year ended June 30, 1973)
(Unaudited)

Retained earnings beginning of year		
As previously reported	\$ 82,992,490	\$ 67,304,887
Less: Cumulative deferred income taxes of prior years (Note 1)	8,900,000	10,300,000
As restated	\$ 74,092,490	\$ 57,004,887
Net Income for the year to date	12,384,518	10,885,955
Dividends	4,488,828	3,989,830
Retained earnings, end of period	<u>\$ 81,988,180</u>	<u>\$ 63,901,012</u>

Approved on behalf of the Board:

A. F. Campo, Director
P. A. Nadeau, Director

See accompanying notes

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Half Year ended June 30, 1974

(With comparative figures

for the Half Year ended June 30, 1973)

(Unaudited)

	<u>1974</u>	<u>1973</u>
SOURCE OF FUNDS:		
Operations—		
Net income	\$12,384,518	\$10,885,955
Depreciation, depletion and amortization	10,199,263	9,542,564
Deferred income taxes (Note 1)	—	(700,000)
Total funds from operations	\$22,583,781	\$19,728,519
Long-term borrowings	253,147	5,242,081
Sale of fixed assets	966,949	1,432,925
Issue of shares	—	44,136
Net decrease in mortgages and other advances	519,053	(495,563)
	<u>\$24,322,930</u>	<u>\$25,952,098</u>

APPLICATION OF FUNDS:

Additions to properties, plant and equipment	\$18,307,879	\$14,397,976
Repayments of long-term debt	5,414,792	6,154,360
Dividends paid	4,488,828	3,989,830
Premium paid on acquisition	42,800	—
Investments in other companies	7,670	—
	<u>\$28,261,969</u>	<u>\$24,542,166</u>
Net increase (decrease) in working capital	\$ (3,939,039)	\$ 1,409,932
Working capital, beginning of year	<u>23,974,908</u>	<u>17,220,152</u>
Working capital, end of period	<u>\$20,035,869</u>	<u>\$18,630,084</u>

NOTES TO THE FINANCIAL STATEMENTS

1— Commencing with the year 1974 the Company has adopted deferred tax accounting as recommended by the Canadian Institute of Chartered Accountants and in accordance with requirements of certain Canadian provincial securities commissions on March 28, 1974.

Retained earnings as at January 1, 1974 have been adjusted in the amount of \$8,900,000 (January 1, 1973—\$10,300,000) to reflect the income tax effect applicable to transactions recorded prior to the current reporting period.

2— During the period, the Company has purchased crude oil at prices which, in many cases, include very substantial cost assessments by way of additional foreign government participation charges. The Company has included such participation charges in its accounts but has not set them up as recoverable under the Government oil compensation program. Recognition of such compensation in the accounts will only be made when confirmation has been received of the amounts to be recovered from the Government of Canada.

PETROFINA CANADA LTÉE ET SES FILIALES

ÉTAT CONSOLIDÉ DE PROFITS ET PERTES

Pour le semestre se terminant le 30 juin 1974

(comparé aux chiffres en date du 30 juin 1973)

(non certifié par les vérificateurs externes)

	<u>1974</u>	<u>1973</u>
Revenus:		
Revenus d'exploitation	\$177,569,999	\$146,802,323
Intérêts et autres revenus	<u>1,868,463</u>	<u>1,820,422</u>
	<u>\$179,438,462</u>	<u>\$148,622,745</u>
Frais d'exploitation:		
Prix de revient, frais d'exploitation, frais de vente et frais généraux (Note 2)	\$148,516,884	\$122,524,957
Taxes autres que les impôts	2,735,546	2,728,874
Amortissement	6,171,637	5,551,254
Épuisement	3,885,938	3,882,914
Intérêts et escomptes sur les dettes à long terme	<u>5,743,939</u>	<u>3,748,791</u>
	<u>\$167,053,944</u>	<u>\$138,436,790</u>
Bénéfice net avant les impôts	\$ 12,384,518	\$ 10,185,955
Impôts reportés (Note 1)	—	(700,000)
Bénéfice net	<u>\$ 12,384,518</u>	<u>\$ 10,885,955</u>

ÉTAT CONSOLIDÉ DES BÉNÉFICES ACCUMULÉS

Pour le semestre se terminant le 30 juin 1974

(comparé aux chiffres en date du 30 juin 1973)

(non certifié par les vérificateurs externes)

Bénéfices accumulés au début du semestre		
Tel que précédemment rapporté	\$ 82,992,490	\$ 67,304,887
Moins: la somme des impôts reportés au cours des années précédentes (Note 1)	<u>8,900,000</u>	<u>10,300,000</u>
Tel que redressé	\$ 74,092,490	\$ 57,004,887
Bénéfice net du semestre	12,384,518	10,885,955
Dividendes	<u>4,488,828</u>	<u>3,989,830</u>
Bénéfices accumulés à la fin du semestre	<u>\$ 81,988,180</u>	<u>\$ 63,901,012</u>

Approuvé pour le Conseil d'administration:

A. F. Campo, administrateur

P. A. Nadeau, administrateur

Voir les notes ci-jointes

PETROFINA CANADA LTÉE ET SES FILIALES

ÉTAT CONSOLIDÉ DE LA PROVENANCE

ET DE L'UTILISATION DES FONDS

Pour le semestre se terminant le 30 juin 1974

(comparé aux chiffres en date du 30 juin 1973)

(non certifié par les vérificateurs externes)

	<u>1974</u>	<u>1973</u>
PROVENANCE DES FONDS:		
Exploitation—		
Bénéfice net	\$12,384,518	\$10,885,955
Amortissement et épuisement	10,199,263	9,542,564
Impôts reportés (Note 1)	—	(700,000)
Total des fonds provenant de l'exploitation	\$22,583,781	\$19,728,519
Emprunts à long terme	253,147	5,242,081
Vente d'immobilisations	966,949	1,432,925
Émission d'actions	—	44,136
Diminution des hypothèques et autre redevances	519,053	(495,563)
	<u>\$24,322,930</u>	<u>\$25,952,098</u>
UTILISATION DES FONDS:		
Addition aux propriétés, installations et équipement	\$18,307,879	\$14,397,976
Remboursements de dettes à long terme	5,414,792	6,154,360
Dividendes versés	4,488,828	3,989,830
Prime versée sur acquisition	42,800	—
Investissements dans d'autres compagnies	7,670	—
	<u>\$28,261,969</u>	<u>\$24,542,166</u>
Augmentation (diminution) nette du fonds de roulement	\$ (3,939,039)	\$ 1,409,932
Fonds de roulement au début du semestre	<u>23,974,908</u>	<u>17,220,152</u>
Fonds de roulement à la fin du semestre	<u>\$20,035,869</u>	<u>\$18,630,084</u>

NOTES AUX ÉTATS FINANCIERS

1— Au début de l'année 1974 la Société a adopté la méthode de report d'impôt recommandée par l'Institut Canadien des Comptables Agréés et tel qu'exigé depuis le 28 mars 1974 par les commissions des valeurs mobilières de certaines provinces du Canada.

Les bénéfices accumulés en date du 1er janvier 1974 ont été redressés pour tenir compte d'une somme de \$8,900,000 (1er janvier 1973 — \$10,300,000) reflétant l'effet de l'impôt imputable aux transactions inscrites avant l'exercice courant.

2— Au cours du semestre la Société a acheté de l'huile brute à des prix qui, en plusieurs instances, incluent à un coût substantiel des frais de participation des gouvernements étrangers. La Société a inscrit ces frais de participation dans ses livres mais elle n'a pas indiqué qu'ils sont recouvrables en vertu du programme de compensation du gouvernement. La compensation sera inscrite aux livres lorsque la Société aura reçu la confirmation du gouvernement du Canada des montants de la compensation.



RAPPORT SEMESTRIEL AUX ACTIONNAIRES

Les bénéfices de la Société pour le semestre terminé le 30 juin 1974 se sont élevés à \$12,385,000 (\$1.24 par action) comparativement à \$10,886,000 (\$1.09 par action) au cours de la même période l'année précédente.

Les encaisses dérivées des opérations se sont chiffrées à \$22,584,000 (\$2.26 par action) contre \$19,729,000 (\$1.97 par action) en 1973.

Ces résultats reflètent l'adoption, en 1974, de la méthode de report d'impôt et les chiffres pour l'année précédente ont été redressés selon la même méthode.

Les opérations financières de la Société au cours du semestre ont été affectées à la suite des circonstances suivantes:

la majeure partie des approvisionnements de la Société en huile brute provient du Moyen-Orient et le coût par baril fut approximativement trois fois plus élevé que le prix payé au cours de la même période en 1973. Une partie de cette hausse a été subventionnée par le Gouvernement Fédéral dans le cadre du programme de compensation visant à l'équilibre des prix mais la partie considérée comme "frais de participation" imposés par les pays producteurs et qui fait également partie de ce programme n'a pas été remboursée à la Société. Cette portion est substantielle et fait l'objet d'une réclamation. Les livres tiendront compte de cette réclamation lorsque la Société aura reçu la confirmation du montant qui sera effectivement payé;

l'industrie de la construction étant présentement secouée par divers problèmes dont des ralentissements et des absences non autorisées, les travaux à la raffinerie de Pointe-aux-Trembles accusent un retard sur l'échéancier. En conséquence, la capacité de traitement de brut est considérablement réduite et la production maximum ne sera probablement pas atteinte avant la fin de l'année.

Au cours du semestre la production d'huile brute, de condensats et gaz naturel a été comme suit:

	1974	1973
Huile brute et condensats	5,157,000	5,315,000
	barils	barils
Gaz naturel	16,285,000	17,639,000
	MPC	MPC

Vers la fin du mois de mai la Commission de la conservation des ressources énergétiques de l'Alberta a entendu la demande de la Société pour l'exploitation des sables bitumineux de l'Athabasca; la décision de la Commission est attendue plus tard cette année. Maître d'oeuvre du projet, Petrofina Canada Ltée y possède une participation de 35.337%. La capacité de l'usine sera approximativement de 122,500 barils/jour. La réalisation de ce projet dépendra en grande partie des exigences des gouvernements quant à leur participation, au traitement des taxes et impôts et au taux des redevances.

Le 7 août 1974 les administrateurs de la Société ont déclaré un dividende semi-annuel de \$0.45 par action, payable le 30 septembre 1974 aux actionnaires enregistrés le 30 août 1974.

P. A. Nadeau,
Président

le 7 août 1974